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FRBSF Weekly Letter

MX Under Fire

In early July, Defense Secretary Weinberger plans to announce the Administration's position with regard to the MX missile project, following receipt of an independent panel's report on the subject. The decision presumably will involve two major policy issues: 1) whether the Administration will support continued development and eventual full-scale production of this new generation missile, and 2) if so, which system it favors for basing and deployment of the new nuclear weapon. The decision will have enormous implications for the nation's long-term security posture. It also could have momentous economic, environmental and social consequences for the two regions which are being considered as possible base sites: Utah/Nevada and Texas/New Mexico.

Security argument

Although it is now reviewing all options, the Reagan Administration to date has apparently continued its predecessor's support for development and testing of the MX missile. It included in its proposed fiscal 1982 budget the $2.9 billion requested by the Carter Administration to continue engineering development and to begin launch-site construction. But the Administration thus far has been unwilling to commit itself to a specific basing mode for the MX. In fact, even some of the staunchest critics of a land-based system of deployment favor the missile's development on national-security grounds, although with some other basing method.

The nation's strategic nuclear-deterrent forces consist of a three-part land-sea-air arsenal. This "Triad" includes land-based intercontinental ballistic missiles (ICBM's), submarine-launched ballistic missiles (SLBM's) and long-range bombers. The land-based ICBM portion of the Triad consists of 1,000 Minuteman and 54 Titan missiles housed in fixed underground silos.

Until recently, most U.S. defense officials considered the nation's strategic nuclear forces to be invulnerable to a preemptive (first) Soviet attack. They believed that those forces could absorb a surprise first-strike attack and still retain a sufficient number of deliverable warheads to inflict unacceptable retaliatory damage on the attacking nation. They believed also that the Soviet Union was similarly invulnerable. Thus, according to the concept of mutual deterrence, if both sides' strategic nuclear forces remained mutually invulnerable, then no rational government would be tempted to start a nuclear war.

But during the past several years, the Soviet Union has been developing a force of large, more accurate ICBM's, each capable of carrying several powerful nuclear weapons (multiple warheads). As a result of these technological improvements—introduced by the United States but more widely implemented by the Soviets—U.S. military officials fear that the Soviet Union will soon be capable of destroying 90 percent of the present U.S. land-based missile force.

The loss of the Minuteman force would not mean the loss of the entire U.S. retaliatory capability, in view of the strength of the seaborne and airborne components of the Triad. But both Congress and the Administration fear the growing vulnerability of the Minuteman force. Both branches apparently are committed to the development and eventual production of a new generation missile. The MX's first flight test is scheduled for 1983, with regular production of the missile scheduled to begin in 1986. But this leaves unresolved the question of where to base the individual missiles, each of which will measure 92 inches in diameter and 71 feet in length, and weigh 192,000 pounds.

Land-base option

The Carter Administration (and the Air Force) favored the multiple protective structure (MPS) concept, which would call for the construction of 200 linear grids or roadways.

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Accessible from each roadway would be 23 concrete shelters, housing one genuine MX missile and 22 high-quality facsimiles. The system altogether would include 4,600 shelters, each capable of housing and protecting a single missile launcher—which means that any potential enemy would have to use at least 4,600 warheads to destroy the real 200 MX missiles.

Official estimates place the cost of the system at around $50 billion in 1980 dollars—by far the biggest public-works project in history. Each shelter would be a reinforced-concrete, steel-lined cylinder buried under five feet of earth, with exposed concrete and steel doors. Concrete enclosures for electrical power, communications, control and other equipment would be buried adjacent to each shelter. The system thus would require about 400,000 tons of steel and about 1.5 million tons of cement, plus about 8,500 miles of new road construction. The construction phase would cover roughly eight years, beginning in early 1982.

The U.S. Air Force favors a 12-county area in Nevada and Utah as the site for the MX system. Under its "Proposed Action," it would place a main operating base at Coyote Spring Valley north of Las Vegas, Nevada, and a smaller base near Milford, Utah. In its environmental-impact report on deployment area selection, however, the Air Force listed six different basing options involving Nevada/Utah sites (see map). A seventh alternative called for placing bases at Clovis, New Mexico and Delhart, Texas. An eighth option—the "split-basing" alternative—would place one operating base in each region at Coyote Spring Valley, Nevada and Clovis, New Mexico.

Impact of "Proposed Action"

Basing of the MX system in the Nevada/Utah area would strongly affect the regional economy according to the environmental-impact statement.

Employment: At the peak of project activity around 1986, an estimated 30,000 persons would be directly employed as construction workers, equipment-assembly personnel, and operating-base workers. About 13,000 permanent workers would operate the bases after completion of the construction phase. During construction a total of about 52,000 jobs would be created, directly and indirectly, as a result of project spending and procurement from local suppliers. Consequently, the region could expect a decline in unemployment, wage escalation, and worker shortages. In the same fashion, as many as 19,000 long-term jobs might be created directly and indirectly in the post-construction phase. Clark County, Nevada (site of the larger base) would experience the greatest impact. In both Clark County and Beaver County, Utah (site of the smaller base), an expanded demand for services and a large increase in land values would accompany rapid growth.

Population: Even without construction of the MX system, population growth would probably accelerate in the 12-county impact area, to about a 3.2-percent annual rate in the 1983-87 period, reflecting Utah's high birth rate and the strong expansion of mineral and energy activities within the region. With MX, in contrast, the growth rate could reach 4.5 percent annually during the 1983-87 period, and then fall to a 1.1-percent rate from 1988-91. But the rural communities near the operating bases could experience annual growth rates as high as 45 percent during the construction period, followed by a steep decline.

Housing: The environmental-impact statement assumes that construction workers would live in a set of construction camps, with barracks-type housing in remote parts of the impact area. But in addition, about 20,000 housing units would be needed for their families and other workers. It further assumes that over one-half of those latter housing units would be located in Clark, Salt Lake and Utah counties—metropolitan areas capable of providing those housing facilities

with less stress than if they were built in the rural areas closer to the bases. Even then, the housing impact would be very significant for certain areas; for example, housing growth in Beaver County, Utah could triple by the peak year of the project. The report also acknowledges that housing requirements would drop after 1987, leaving a surplus. It assumes that most surplus units would be mobile homes that could be relocated out of the region.

Groundwater availability: The annual recharge-groundwater capacity of most valleys in Nevada and Utah is now "fully appropriated," which means that the water table would be reduced by the demands of the MX construction project. Thus, the Moapa Reservation's irrigation-water supply near Coyote Spring Valley would be affected unless water could be purchased and pumped from Las Vegas or acquired from other users. Water for the Milford base probably would have to be purchased from existing agricultural users, which could remove 20,000 acres from irrigated farm use.

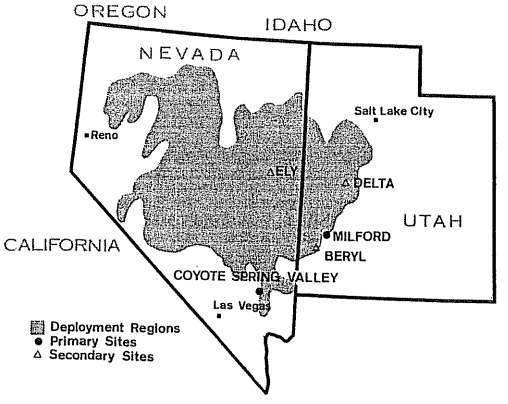
Criticism of project

The Air Force report has drawn a barrage of criticism from state commissions and residents of Nevada and Utah—and recently even from the Mormon Church leadership. Critics charge that the report understates the vast impact the MX project would have on local communities, by concentrating on the project's overall impact on the entire 12-county "region of influence." Moreover, it fails to take account of the high-growth activities already taking place in adjacent areas, such as the development of synthetic fuels and the development of new supplies of minerals and fossil fuels. Farmers and ranchers also fear that their activities could be affected by reduced water availability, withdrawals of grazing land, and a consequent decline in livestock production. Most of all, critics charge that the report gives inadequate attention to the project's impact on the social and natural-resource environment, including education, health and public-safety services, transportation, air quality, soil erosion, vegetation and animal life.

Most critics would prefer to see some other basing method for the MX project, such as the Smallsub Undersea Mobile (SUM) system. This system would deploy the MX from a fleet of small non-nuclear submarines operating in coastal waters off the continental United States and Alaska, with an MX capsule attached outside the hull of each small sub. (That program would benefit the shipbuilding industry in the West.) Other alternatives would include basing the MX in other types of silos, on merchant ships, or on various types of aircraft. But the Air Force argues that all these options would jeopardize a fundamental principle of U.S. strategy—the Triad. In any event, a decision seems likely soon on a project which will clearly affect the future economy of the Intermountain West.

Yvonne Levy

POSSIBLE MX MISSILE DEPLOYMENT REGIONS AND OPERATING BASES



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BANKING DATA—TWELFTH FEDERAL RESERVE DISTRICT

(Dollar amounts in millions)

Selected Assets and Liabilities Large Commercial Banks	Amount Outstanding 6/3/81	Change from 5/27/81	Change from year ago Dollar	Change from year ago Percent
Loans (gross, adjusted) and investments*	149,091	− 154	11,840	8.6
Loans (gross, adjusted) — total#	127,158	− 53	11,478	9.9
Commercial and industrial	37,722	190	4,086	12.1
Real estate	52,294	23	5,535	11.8
Loans to individuals	22,906	− 7	− 1,044	− 4.4
Securities loans	1,586	− 31	547	52.6
U.S. Treasury securities*	6,388	− 60	130	2.1
Other securities*	15,545	− 41	236	1.5
Demand deposits — total#	41,852	1,159	− 2,446	− 5.5
Demand deposits — adjusted	28,574	1,137	− 2,260	− 7.3
Savings deposits — total	30,312	331	3,107	11.4
Time deposits — total#	81,014	596	16,735	26.0
Individuals, part. & corp.	71,618	748	16,485	29.9
(Large negotiable CD's)	31,796	69	9,246	41.0

Weekly Averages of Daily Figures	Week ended 6/3/81	Week ended 5/27/81	Comparable year-ago period
Member Bank Reserve Position			
Excess Reserves (+)/Deficiency (−)	n.a.	n.a.	82
Borrowings	124	148	10
Net free reserves (+)/Net borrowed(−)	n.a.	n.a.	72

* Excludes trading account securities.

Includes items not shown separately.

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